

St. George Housing Authority
Independent Auditors' Reports, Management's
Discussion and Analysis, and Supplemental
Information

June 30, 2008

With Independent Auditors' Report Thereon

St. George Housing Authority

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**Independent Auditors' Report on
Financial Statements and Supplementary Schedules**

To the Board of Commissioners
St. George Housing Authority
St. George, Utah

We have audited the accompanying financial statements of the business-type activities and major fund of the St. George Housing Authority (the Authority), as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and major fund of the Authority as of June 30, 2008, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2008, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Board of Commissioners
St. George Housing Authority

The management's discussion and analysis on pages 4 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Child, Van Wagoner & Bradshaw

Child, Van Wagoner & Bradshaw, PLLC
Kaysville, Utah
November 14, 2008

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

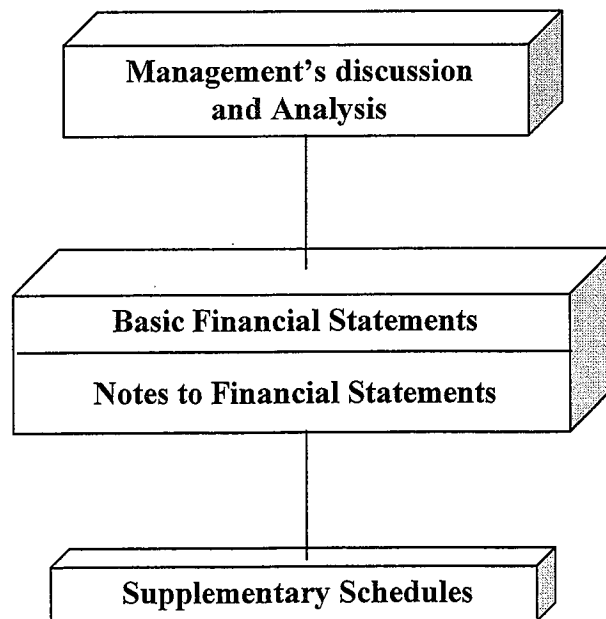
**St. George Housing Authority
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2008**

INTRODUCTION

The St. George Housing Authority (the Authority) was created under the laws of the state of Utah, and certified by the United States Department of Housing and Urban Development (HUD). The purpose of the Authority is to administer programs in the City of St. George, Utah area under the Housing Act of 1937, as amended. The Federal Government subsidizes these programs by direct awards through HUD, and pass through awards through other state and local government agencies. The Authority is governed by a six-member board of commissioners, which is appointed by the Mayor of the City of St. George. The Board, in turn, elects a Chairperson and employs an Executive Director to administer the affairs of the Authority.

The Authority presents this discussion and analysis of its financial performance during the fiscal year ended June 30, 2008 (FY2008), to assist the reader in focusing on significant financial issues and concerns. This discussion and analysis is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999.

The Authority's FY2008 annual financial report consists of two parts – the management's discussion and analysis, and the basic financial statements (which include notes to those financial statements). Also included are supplementary schedules that show information that was sent to HUD related to our basic financial statements.



St. George Housing Authority
Management's Discussion and Analysis (MD&A) (continued)
Year Ended June 30, 2008

The basic financial statements provide information about the Authority's overall financial position and results of operations. These statements, which are presented on the accrual basis, consist of the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. The basic financial statements also include a "Notes to Financial Statements" section that provides additional information that is essential to a full understanding of the data provided in the basic financial statements.

The primary focus of the Authority's financial statements is on a single business-type activity that combines all programs administered by the Authority. This discussion and analysis is focused on the primary activities of the Authority.

FINANCIAL HIGHLIGHTS

Under GASB Statement No. 34, the Authority's single business-type activity financial statements for FY2008 report on all of the Authority's assets, liabilities, revenues, expenses, and net assets under the programs it administers. A summary of the current-year results in comparison with the prior year results follows:

- Net assets of the Authority increased \$62,125 during the year ended June 30, 2008, from the prior year.
- The increase in cash and cash equivalents for the year was \$121,213.
- Housing assistance payments decreased \$53,916 from the prior year.
- Operating revenues of the Authority increased by \$27,769 over prior year results.
- Operating and maintenance expenses decreased \$57,417 from the prior year.
- The Authority received capital grants of \$22,321 during the FY 2008.

AUTHORITY FINANCIAL STATEMENTS

The Authority is presenting its FY2008 discussion and analysis based on the financial results of its enterprise programs in three basic financial statements – the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. The Statement of Net Assets reports all financial and capital assets of the Authority and is presented in a format where assets equal liabilities plus net assets. Net assets are broken down into the following three categories:

- *Net assets, invested in capital assets, net of related debt* consists of all capital assets net of accumulated depreciation, reduced by the outstanding balances of mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.
- *Restricted net assets* consists of assets that are restricted by constraints placed on the asset by external parties, such as creditors, grantors, contributors, laws, or regulations reduced by liabilities payable from such assets.

St. George Housing Authority
Management's Discussion and Analysis (MD&A) (continued)
Year Ended June 30, 2008

- *Unrestricted net assets* consists of net assets that do not meet the definition of *net assets invested in capital assets, net of related debt or restricted net assets*.

The Statement of Revenues, Expenses and Changes in Net Assets (similar to an income statement) includes operating revenues, such as rental income; operating expenses, such as administrative, utilities, maintenance, and depreciation; and nonoperating revenues and expenses, such as investment income and interest expense. The statement's focus is the change in net assets, which is similar to net income or loss.

Finally, a Statement of Cash Flows is included, which discloses net cash provided by or used for operating activities, capital and related financing activities, noncapital financing activities, and investing activities.

These financial statements utilize the economic resources measurement focus and the full accrual basis of accounting. They report the Authority's net assets and changes in net assets in full compliance with GASB Statement No. 34. Under the full accrual basis of accounting, revenues are recognized in the period they are earned and expenses in the period they are incurred.

The entity-wide presentation represents several different programs and activities. Most of these programs are financed by federal grants from HUD, rents, and other user charges resulting from operations of subsidized housing, and by investment income and loan proceeds. In FY2008, the following programs (seen in the supplementary schedule of expenditures of federal awards on page 31) make up the Authority's single business-type activities financial statements:

- *Section 8 Housing Choice Vouchers* – This program is funded by HUD and is a subsidy program for low- and moderate-income families seeking housing in the private rental market.
- *Grant Programs* – These programs account for HUD grant funds received for the following activities: Public Housing and Housing Opportunities for People with Aids.
- *Capital Fund Program* – This program uses HUD capital contributions to fund new construction, major improvements to existing properties and operating expenditures authorized by HUD.

St. George Housing Authority
Management's Discussion and Analysis (MD&A) (continued)
Year Ended June 30, 2008

Net Assets

The Authority's overall financial position and operations for the past two years are summarized below based on the information included in the current and prior financial statements.

St. George Housing Authority
Statement of Net Assets

	2008	2007	Total Percentage Change
Current assets	\$ 447,053	\$ 326,744	36.8%
Restricted deposits	6,150	6,700	(8.2%)
Fixed assets, net of depreciation	1,239,418	1,296,929	(4.4%)
Total assets	1,692,621	1,630,373	3.8%
Current liabilities	36,045	20,883	72.6%
Deposits and prepaid liabilities	6,150	6,700	(8.2%)
Non-current liabilities	91,945	106,434	(13.6%)
Total liabilities	134,140	134,017	0.1%
Net assets:			
Invested in capital assets	1,148,498	1,203,879	(4.6%)
Restricted net assets	229,744	-	100.0%
Unrestricted net assets	180,239	292,477	(38.4%)
Total net assets	\$ 1,558,481	\$ 1,496,356	4.2%

Cash - Unrestricted

Total cash - unrestricted increased by \$121,213 as of June 30, 2008 compared with June 30, 2007. The primary source of the increase was related to the Section 8 Housing Choice Vouchers for HAP payments that were not yet made at the end of the year.

Current liabilities

Current liabilities increased by \$15,162 as of June 30, 2008 compared with June 30, 2007. The primary source of the increase is due to the increase in accrued compensated absences – current portion.

Net Assets

The Authority's net assets increased by \$62,125 during FY2008. At June 30, 2008, investments in capital assets comprise about 73.2% of the Authority's total assets, while these assets carry related current and long-term debt of approximately \$90,920 that is about 67.8% of its total liabilities. However, the amount invested in capital assets, net of related debt, amounts to about 73.3% of total net assets.

St. George Housing Authority
Management's Discussion and Analysis (MD&A) (continued)
Year Ended June 30, 2008

The Authority's net assets also consist of restricted and unrestricted net assets. Unrestricted net assets include cash in the bank, receivables, and other assets less all other liabilities not previously applied. At June 30, 2008, unrestricted net assets amount to approximately 11.6% of total net assets. At June 30, 2008, restricted net assets amount to approximately 14.7% of total net assets.

Statement of Revenues, Expenses and Changes in Net Assets

The results of operations for the Authority are presented below:

St. George Housing Authority
Statement of Revenues, Expenses and Changes in Net Assets

	2008	2007	Increase/(Decrease) Amount	Percentage
Operating revenues:				
Dwelling rentals	\$ 95,662	\$ 86,233	\$ 9,429	10.9%
HUD PHA operating grants	1,176,616	1,164,335	12,281	1.1%
Other operating revenue	31,033	24,974	6,059	24.3%
Total operating revenues	<u>1,303,311</u>	<u>1,275,542</u>	<u>27,769</u>	
Operating expenses:				
Administration	234,597	226,428	8,169	3.6%
Utilities	11,668	12,280	(612)	(5.0%)
Operating and maintenance	54,508	80,493	(25,985)	(32.3%)
Insurance	13,007	10,995	2,012	18.3%
General expenditures	28,073	14,631	13,442	91.9%
Housing assistance payments	849,818	903,734	(53,916)	(6.0%)
Depreciation	74,538	75,065	(527)	(0.7%)
Total operating expenses	<u>1,266,209</u>	<u>1,323,626</u>	<u>(57,417)</u>	
Operating income	<u>37,102</u>	<u>(48,084)</u>	<u>85,186</u>	
Nonoperating revenues/(expenses):				
HUD capital grants	22,321	529	21,792	4119.5%
Interest income	6,315	4,021	2,294	57.1%
Interest expense	(3,613)	(4,484)	871	(19.4%)
Nonoperating expenses, net	<u>25,023</u>	<u>66</u>	<u>24,957</u>	
Change in net assets	<u>\$ 62,125</u>	<u>\$ (48,018)</u>	<u>\$110,143</u>	

St. George Housing Authority
Management's Discussion and Analysis (MD&A) (continued)
Year Ended June 30, 2008

Operating revenues of the Authority's activities are generated principally from HUD PHA operating grants. In FY2008, the Authority's revenues for its activities totaled \$1,303,311. Of this total, \$1,176,616, or about 90.3%, was from HUD PHA operating grants. Operating expenses of the Authority's activities consist primarily of housing assistance payments. Operating expenses total \$1,266,209, of which \$849,818, or about 67.1%, were housing assistance payments.

About 2.1% of the Authority's total revenues in FY2008 were nonoperating revenues that are derived from capital grants and interest income. The remaining 97.9% were operating revenues derived from dwelling rentals (7.2%), HUD PHA operating revenues (88.3%), and other operating revenues (2.3%).

About 0.3% of the Authority's total expenses in FY2008 were nonoperating expenses that are derived from interest expense. The remaining 99.7% were operating expenses derived from administration (18.5%), utilities (0.9%), operating and maintenance (4.3%), insurance (1.0%), general expenditures (2.2%), housing assistance payments (66.9%), and depreciation (5.9%).

Increase in net assets for the year ended June 30, 2008 was \$62,125 compared with a decrease of \$48,018 for the year ended June 30, 2007. Factors contributing to these results included:

- Increase in rental revenues
- Decrease in Housing Assistance Payments

CAPITAL ASSETS

The Authority's capital assets as of June 30, 2008, included land, buildings, furniture and equipment, leasehold improvements, and construction in progress totaling \$2,178,143, most of which comprises rental units available for lease to low- and moderate-income residents. Capital assets, net of depreciation, decreased \$57,511 from the preceding year.

	2008	2007	Change
Land	\$ 202,181	\$ 202,181	\$ -
Buildings	1,578,358	1,570,561	7,797
Furniture and equipment	22,512	22,512	-
Leasehold improvements	365,333	365,333	-
Construction in progress	9,759	529	9,230
Accumulated depreciation	(938,725)	(864,187)	(74,538)
Total	<u>\$ 1,239,418</u>	<u>\$1,296,929</u>	<u>\$ (57,511)</u>

CONTACTING AUTHORITY MANAGEMENT

This financial report is designed to provide a general overview of the Authority's accountability for all those interested. Questions concerning this report or requests for additional financial information should be directed to the Executive Director, St. George Housing Authority, 975 North 1725 West, St. George, UT 84770.

BASIC FINANCIAL STATEMENTS

St. George Housing Authority
Statement of Net Assets
June 30, 2008

Assets

Current assets:

Cash - unrestricted (note 2)	\$ 429,789
Accounts receivable - HUD	5,844
Accounts receivable - other (net of allowance for doubtful accounts, \$1,954)	6,520
Accrued interest receivable	254
Prepaid expenses	4,646
Total current assets	<u>447,053</u>

Restricted deposits:

Cash - tenants' security deposits (note 2)	<u>6,150</u>
Total restricted deposits	6,150

Fixed assets:

Land	202,181
Buildings	1,578,358
Furniture and equipment	22,512
Leasehold improvements	365,333
Construction in progress	9,759
Total fixed assets	<u>2,178,143</u>
Less: accumulated depreciation	<u>(938,725)</u>
Net fixed assets	1,239,418

Total assets	<u><u>\$ 1,692,621</u></u>
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See accompanying notes to basic financial statements.

St. George Housing Authority
Statement of Net Assets (continued)
June 30, 2008

Liabilities

Current liabilities:

Accounts payable	\$ 10,744
Accrued payroll	1,032
Accrued compensated absences - current portion	21,440
Accrued interest payable	298
Short term notes payable	375
Mortgages payable - current portion (note 3)	2,156
Total current liabilities	<u>36,045</u>

Deposits and prepaid liabilities:

Tenants' security deposits	6,150
	<u>6,150</u>

Long-term liabilities:

Mortgages payable - less current portion (note 3)	88,764
Accrued compensated absences, non-current	3,181
Total non-current liabilities	<u>91,945</u>

Total liabilities

134,140

Net Assets

Invested in capital assets, net of related debt	1,148,498
Restricted net assets	229,744
Unrestricted net assets	180,239
Total net assets	<u>1,558,481</u>
Total liabilities and net assets	<u><u>\$ 1,692,621</u></u>

See accompanying notes to basic financial statements.

St. George Housing Authority
Statement of Revenues, Expenses
and Changes in Net Assets
Year Ended June 30, 2008

Operating revenues:	
Net tenant rental revenue	\$ 95,662
HUD PHA operating grants	1,176,616
Other operating revenues	31,033
Total operating revenues	<u>1,303,311</u>
Operating expenses:	
Administration	234,597
Utilities	11,668
Ordinary maintenance and operations	54,508
General	28,073
Insurance	13,007
Housing assistance payments	849,818
Depreciation	74,538
Total operating expenses	<u>1,266,209</u>
Operating income	37,102
Nonoperating revenues (expenses):	
Capital grants	22,321
Interest income	6,315
Interest expense	(3,613)
Nonoperating revenues (expenses)	<u>25,023</u>
Change in net assets	62,125
Net assets at beginning of year	1,496,356
Net assets at end of year	<u><u>\$ 1,558,481</u></u>

See accompanying notes to basic financial statements.

St. George Housing Authority
Statement of Cash Flows
Year Ended June 30, 2008

Cash flows from operating activities:

Dwelling rentals	\$ 95,662
HUD PHA operating grants	1,177,475
Other operating revenues	32,326
Interest	6,561
Total receipts	<u>1,312,024</u>

Administration	234,313
Utilities	11,668
Ordinary maintenance and operations	54,508
General	28,073
Insurance	11,975
Housing assistance payments	849,818
Interest	3,620
Total disbursements	<u>1,193,975</u>
Net cash provided by operating activities	<u>118,049</u>

Cash flows from investing activities:

-

Cash flows from noncapital financing activities:

-

Cash flows from capital financing activities:

Capital grants	22,321
Purchase of fixed assets	(17,027)
Principal payments on long-term debt	(2,130)
Net cash provided by capital financing activities	<u>3,164</u>

Net increase in cash and cash equivalents	121,213
Cash and cash equivalents at beginning of year	308,576
Cash and cash equivalents at end of year	<u><u>\$ 429,789</u></u>

See accompanying notes to basic financial statements.

St. George Housing Authority
Statement of Cash Flows (continued)
Year Ended June 30, 2008

Reconciliation of change in net assets to net cash provided by
operating activities:

Change in net assets	\$ 62,125
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	74,538
Allowance for doubtful accounts	1,954
Capital grants	(22,321)
(Increase) decrease in:	
Accounts receivable - HUD	859
Accounts receivable - miscellaneous	(1,036)
Accrued interest receivable	246
Prepaid expenses	(1,119)
Cash - tenants' security deposits	550
Increase (decrease) in:	
Accounts payable	560
Accounts and notes payable - other	375
Accrued interest payable	(7)
Accrued payroll taxes payable	1,032
Accrued compensated absences	843
Tenants' security deposits	(550)
Net cash provided by operating activities	<u>\$ 118,049</u>

See accompanying notes to basic financial statements.

St. George Housing Authority
Notes to Financial Statements
Year Ended June 30, 2008

1. Summary of Significant Accounting Policies

Organization and History

The St. George Housing Authority (the Authority) was created under the laws of the state of Utah, and certified by the United States Department of Housing and Urban Development (HUD). The purpose of the Authority is to administer programs in the St. George, Utah area under the Housing Act of 1937, as amended. The Federal Government subsidizes these programs by direct awards through HUD and pass through awards through other state and local government agencies.

Financial Reporting Entity

The Governmental Accounting Standards Board (GASB) has issued Statement No. 14, *"The Financial Reporting Entity,"* as amended by GASB Statement No. 39, *"Determining Whether Certain Organizations Are Component Units,"* which describes those entities that are considered component units for financial reporting purposes. The Authority is not considered a component unit of St. George (the City), or any other government entity under the criteria of GASB Statement No. 14, as amended by GASB Statement No. 39, since the City exercises no oversight responsibility either financially or administratively over the Authority.

Basis of Presentation

In order to insure observance of limitations and restrictions placed on the use of resources available to the Authority, the accounts are maintained in accordance with the principles of fund accounting. The Authority participates in HUD programs on an enterprise fund basis. All of the Authority's programs are accounted for as one business-type activity for financial reporting purposes and neither fiduciary funds nor component units that are fiduciary in nature are included. The financial statement presentation provides an indication of the financial performance of the Authority as a whole. In addition, the Authority adopts the budget that has been approved by its Board.

In accordance with HUD prescribed accounting practices, the Authority has adopted GASB Statement No. 20, *"Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting."* The Authority has elected to apply all applicable FASB pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989. The Authority also elects to apply all FASB pronouncements after November 30, 1989 as long as they do not conflict with or contradict GASB pronouncements.

Financial Reporting Model

In June 1999, the GASB issued Statement No. 34, *"Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments."* This statement, known as the "Reporting Model" statement, affects the way the Authority prepares and presents financial information. GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments and had no impact on beginning net assets. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

St. George Housing Authority
Notes to Financial Statements (continued)
Year Ended June 30, 2008

1. Summary of Significant Accounting Policies (Continued)

Management's Discussion and Analysis – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports and is included as required supplementary information.

Statement of Net Assets – The Statement of Net Assets is designed to display the financial position of the primary government (business-type activities). There are no discretely presented component units. Governments report all capital assets in the government-wide Statement of Net Assets and report depreciation expense – the cost of "using up" capital assets – in the Statement of Revenues, Expenses and Changes in Net Assets. There is no infrastructure. The net assets of the Authority will be broken down into three categories – 1) invested in capital assets, net of related debt, 2) restricted net assets, and 3) unrestricted net assets.

Statement of Cash Flows – The direct method is required by GASB Statement No. 34.

Basis of Accounting

The Authority's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Under the accrual basis, revenues are recorded when earned and expenses are recorded when incurred. Revenues that have been received but not earned before the fiscal year end are recorded as deferred revenues.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Principal operating revenues are dwelling rentals, management fees, and intergovernmental revenues. Operating expenses include administration, maintenance, insurance, depreciation, utilities, and housing assistance payments. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. This includes interest income and interest expense amounts, not discussed above.

Cash and Cash Equivalents

The Authority considers all highly liquid debt and equity instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents at June 30, 2008 consist of cash and certificates of deposit. Not included as cash and cash equivalents are tenants' security deposits.

St. George Housing Authority
Notes to Financial Statements (continued)
Year Ended June 30, 2008

1. Summary of Significant Accounting Policies (Continued)

Fixed Assets

Property and equipment are recorded at cost and depreciated using the straight-line method of depreciation over the estimated useful lives of the assets, as shown below. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. Maintenance and repairs, including the replacement of minor items, are expensed as incurred, and major additions to buildings, furnishings, and equipment are capitalized. Construction in progress commences depreciation when the construction is complete and related assets placed in service.

<u>Major Groupings</u>	<u>Useful Lives (years)</u>
Buildings	15-40
Furniture and equipment	5-15
Leasehold improvements	15-40

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently Issued Pronouncements

In December 2007, the FASB issued SFAS No. 160, "*Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51.*" This statement amends ARB 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. The statement requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest. It also requires disclosure, on the face of the consolidated statement of income, of the amounts of consolidated net income attributable to the parent and to the noncontrolling interest. This statement is effective for fiscal years beginning on or after December 15, 2008. The statement applies prospectively as of the beginning of the fiscal year in which this is applied.

In December 2007, the FASB issued SFAS No. 141(R), "*Business Combinations.*" This statement replaces FASB Statement No. 141, "*Business Combinations.*" This statement retains the fundamental requirements in Statement 141 that the acquisition method of accounting be used for all business combinations and for an acquirer to be identified for each business combination. This statement defines the acquirer as the entity that obtains control of one or more businesses in the business combination and establishes the acquisition date as the date that the acquirer achieves control. This statement requires an acquirer to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date, with limited exceptions

St. George Housing Authority
Notes to Financial Statements (continued)
Year Ended June 30, 2008

1. Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements (continued)

specified in the statement. This statement requires the costs incurred to effect the acquisition (acquisition-related costs) to be recognized separately from the acquisition. Also, this statement requires the acquirer to recognize those restructuring costs separately from the business combination. This statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008.

In March 2008, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 161, "*Disclosures about Derivative Instruments and Hedging Activities*" (an amendment to SFAS No. 133). This statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008 and requires enhanced disclosures with respect to derivative and hedging activities. The Company will comply with the disclosure requirements of this statement if it utilizes derivative instruments or engages in hedging activities upon its effectiveness.

In May 2008, the FASB issued Statement No. 163, "*Accounting for Finance Guarantee Insurance Contracts – An Interpretation of FASB No. 60.*" The premium revenue recognition approach for a financial guarantee insurance contract links premium revenue recognition to the amount of insurance protection and the period in which it is provided. For purposes of this statement, the amount of insurance protection provided is assumed to be a function of the insured principal amount outstanding, since the premium received requires the insurance enterprise to stand ready to protect holders of an insured financial obligation from loss due to default over the period of the insured financial obligation. This Statement is effective for financial statements issued for fiscal years beginning after December 15, 2008.

2. Deposits

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted under the authority of the State of Utah Money Management Act (the Act) that relate to the deposit and investment of public funds.

The Authority follows the requirements of the Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of the Authority funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

St. George Housing Authority
Notes to Financial Statements (continued)
Year Ended June 30, 2008

2. Deposits (continued)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a formal deposit policy for custodial credit risk. As of June 30, 2008, \$181,850 of the Authority's bank balances of \$437,390, were uninsured and uncollateralized.

3. Long-Term Debt

Long-term debt at June 30, 2008 consists of the following:

- 1- A mortgage note payable due to the State of Utah Division of Finance. The mortgage note is collateralized with land and a building with a total carrying value of \$125,936 and bears an interest rate of 5% per annum. Principal and interest are payable in equal monthly payments of \$268. The mortgage note is due June, 2031, and began with a balance of \$50,000. \$ 42,318

 - 2- A mortgage note payable due to the State of Utah Division of Finance. The mortgage note is collateralized with land and a building with a total carrying value of \$269,765 and bears an interest rate of 3% per annum. Principal and interest are payable in equal monthly payments of \$211. The mortgage note is due February, 2037, and began with a balance of \$50,000. 48,602
- | | |
|-------------------------|------------------|
| Total mortgages payable | 90,920 |
| Current portion | (2,156) |
| Long-term portion | <u>\$ 88,764</u> |

<u>Loan</u>	<u>Balance</u> <u>06/30/07</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>06/30/08</u>
State of Utah Loan #1	\$ 43,394	\$ -	\$ (1,076)	\$ 42,318
State of Utah Loan #2	49,656	-	(1,054)	48,602
Total Long-Term Debt	<u>\$ 93,050</u>	<u>\$ -</u>	<u>\$ (2,130)</u>	90,920
Current portion				(2,156)
Net long-term debt				<u>\$ 88,764</u>

St. George Housing Authority
Notes to Financial Statements (continued)
Year Ended June 30, 2008

3. Long-Term Debt (continued)

Future maturities of long-term debt are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 2,156	\$ 3,589
2010	2,243	3,502
2011	2,336	3,410
2012	2,431	3,315
2013	2,531	3,215
2014-2018	14,309	14,420
2019-2023	17,548	11,182
2024-2028	21,570	7,160
2029-2033	17,023	2,627
2024-2037	8,773	502
Total future maturities	<u>\$ 90,920</u>	<u>\$ 52,922</u>

4. Retirement Plan

The Authority contributes to the Local Governmental Noncontributory Retirement System, a cost-sharing multiple-employer defined benefit pension plan administered by Utah Retirement Systems. Utah Retirement Systems provides retirement and survivor benefits to plan members and beneficiaries in accordance with retirement statutes.

The Utah Retirement Systems (the Systems) are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953, as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Systems issue a publicly available financial report that include financial statements and required supplementary information for retirement plans administered by the Utah Retirement Systems. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

The Authority is legally obligated to contribute to the retirement systems as long as it has employees meeting membership requirements. The contribution rates are actuarially determined rates. The contribution rates in effect for the year ending June 30, 2008, and the two previous fiscal years, calculated on the applicable salary for the eligible employees are as follows:

<u>Year Ended June 30,</u>	<u>Employee Paid</u>	<u>Paid by Employer for Employee</u>	<u>Employer Contribution Rates</u>
2008	N/A	N/A	11.62%
2007	N/A	N/A	11.59%
2006	N/A	N/A	11.09%

St. George Housing Authority
Notes to Financial Statements (continued)
Year Ended June 30, 2008

4. Retirement Plan (continued)

The contributions made by the Authority for the year ended June 30, 2008 were paid by the due dates or within 30 days thereafter and were equal to the required contributions.

The required contributions and amounts received for the year ended June 30, 2008 and the two previous fiscal years are as follows:

<u>Year Ended June 30,</u>	<u>Employee Paid</u>	<u>Paid by Employer for Employee</u>	<u>Employer Contributions</u>	<u>Salary Subject to Retirement Contributions</u>
Noncontributory System:				
Local Government Division:				
2008	\$ -	\$ -	\$ 14,717	\$ 126,649
2007	\$ -	\$ -	\$ 13,843	\$ 119,435
2006	\$ -	\$ -	\$ 11,879	\$ 107,113
Defined Contribution System:				
401 (K) Plan:				
2008	\$ 10,664	\$ 4,281		
2007	\$ 11,236	\$ 4,107		
2006	\$ 7,586	\$ 4,188		

5. Economic Dependency

A majority of the revenues received by the Authority come from HUD. Programs operated by the Authority depend upon continued funding by the U.S. Government.

6. Risk Management and Concentrations of Credit Risk

The Authority is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Various insurance policies have been purchased to cover the risks described above. The insurance policies require minimal deductible amounts that the Authority pays in the event of any loss. The Authority also has purchased a worker compensation policy. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Authority's customers are primarily low-income rental tenants in the St. George, Utah area that may be affected by changing economic conditions. Management believes that its credit review procedures and tenant deposits have adequately provided for usual and customary credit-related losses. The Authority's policy for charging off tenant receivables is to consider write-down of receivables extending beyond 120 days after significant collection efforts have been made or when the financial condition of tenants warrant charge-off. Tenant receivables are determined to be past due after 30 days regardless of whether partial payments have been received. Based on the Authority's policy for charging off tenant receivables, the bad debts allowance is insignificant.

St. George Housing Authority
Notes to Financial Statements (continued)
Year Ended June 30, 2008

7. Changes in Fixed Assets

	Balance 06/30/07	Additions	Retirements	Transfers	Balance 06/30/08
Land	\$ 202,181	\$ -	\$ -	\$ -	\$ 202,181
Buildings	1,570,561	7,797	-	-	1,578,358
Furniture and Equipment	22,512	-	-	-	22,512
Leasehold Improvements	365,333	-	-	-	365,333
Construction in Progress	529	9,230	-	-	9,759
Total Fixed Assets	2,161,116	17,027 ✓	-	-	2,178,143
Accumulated Depreciation	(864,187)	(74,538) ✓	-	-	(938,725)
Net Fixed Assets	<u>\$ 1,296,929</u>	<u>\$ (57,511)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,239,418</u>

8. Interprogram Eliminations

The Authority has interprogram receivables and payables at year ended June 30, 2008 of \$22,847 that have been eliminated on the basic financial statements.

Supplementary Information

St. George Housing Authority
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

<u>Federal Assistance Programs Agency/Program Grant Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing & Urban Development (HUD)		
Direct Programs:		
Section 8 Housing Choice Vouchers	14.871	\$ 1,133,265
Public Housing Operating Subsidy	14.850	43,351
Public Housing Capital Funds	14.872	22,321
Passed Through from the Utah State Department of Community and Economic Development:		
Housing Opportunities for Persons With AIDS	14.241	<u>6,173</u>
Total expenditures of federal awards		<u>\$ 1,205,110</u>

St. George Housing Authority
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

1. Scope of Audit Pursuant to OMB Circular A-133

The Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal award programs of the Authority. All federal awards received directly from federal agencies as well as federal awards passed through other governmental agencies or other entities are included in the Schedule.

2. Basis of Presentation

The Authority's Schedule of Expenditures of Federal Awards has been prepared using the same basis of accounting as the June 30, 2008 financial statements of the Authority. The Authority reports to HUD using the accrual basis of accounting. A complete description of the basis of accounting is included in note 1 to those financial statements.

3. Contingencies

In connection with various federal grant programs, the Authority is obligated to administer related programs and spend the funds in accordance with regulatory restrictions, and is subject to audit by grantor agencies and other auditors. In cases of noncompliance, the agencies involved may require the Authority to refund program funds.

**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters based on
an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Board of Commissioners
St. George Housing Authority
St. George, Utah

We have audited the financial statements of the business activity and major fund of the St. George Housing Authority (the Authority) as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 14, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Commissioners
St. George Housing Authority

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the audit committee, Board of Commissioners, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Child, Van Wagoner & Bradshaw

Child, Van Wagoner & Bradshaw, PLLC

Kaysville, Utah

November 14, 2008

**Report on Compliance with Requirements Applicable to
Each Major Program and Internal Control
Over Compliance in Accordance
with OMB Circular A-133**

Board of Commissioners
St. George Housing Authority
St. George, Utah

Compliance

We have audited the compliance of the St. George Housing Authority (the Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Board of Commissioners
St. George Housing Authority

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, board of commissioners, management, others within the Authority, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Child, Van Wagoner, & Bradshaw, PLLC
Kaysville, Utah
November 14, 2008

St. George Housing Authority
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

SECTION I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No

- Reportable condition(s) identified
that are not considered to be material
weaknesses? _____ Yes X None reported

Non compliance material to financial
statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No

- Reportable condition(s) identified
that are not considered to be material
weaknesses? _____ Yes X None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with section 510(a)
of Circular A-133? _____ Yes X No

Identification of major programs?

CFDA Number(s)

14.871

Name of Federal Program or Cluster

Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish
between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

**St. George Housing Authority
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2008**

Section II-Financial Statement Findings and Questioned Costs

No matters were reported for the year ended June 30, 2008.

Section III-Federal Award Findings and Questioned Costs

No matters were reported for the year ended June 30, 2008.

St. George Housing Authority
Schedule of Findings and Questioned Costs - Prior Year
Year Ended June 30, 2008

No matters were reported for the fiscal year ended June 30, 2007.

**St. George Housing Authority
Independent Auditors' Report on State of Utah Legal Compliance
Year Ended June 30, 2008**

Board of Commissioners
St. George Housing Authority
St. George, Utah

We have audited the financial statements of the St. George Housing Authority (the Authority), for the year ended June 30, 2008, and have issued our report thereon dated November 14, 2008. Our audit included test work on the Authority's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide including:

Cash Management
Other Compliance Requirements

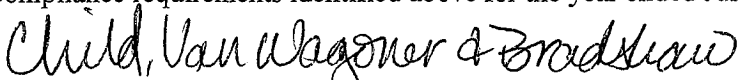
The Authority did not receive any major or non-major State grants during the year ended June 30, 2008.

The management of the Authority is responsible for the Authority's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, the Authority complied, in all material respects with the general compliance requirements identified above for the year ended June 30, 2008.


Child, Van Wagoner, & Bradshaw, PLLC
Kaysville, UT
November 14, 2008